

# Student Financial Assistance

<b>Student Financial Assistance Programs--\$9,183,000,000 (FY 2000)</b>			
<b>Goal:</b> To help ensure access to high-quality postsecondary education by providing financial aid in the form of grants, loans, and work-study in an efficient, financially sound, and customer-responsive manner.			
<b>Relationship of Program to Strategic Plan:</b> Supports Objective 3.2 by efficiently providing student financial aid to help enable low-income students to enroll in and complete postsecondary education.			
Objectives	Indicators	Performance Data	Source, Periodicity, Next Update
<b>End Outcomes</b>			
<b>1. Ensure that low- and middle-income students will have the same access to postsecondary education that high-income students do.</b>	<b>1.1 Percent of unmet need.</b> Considering all sources of financial aid, the percent of unmet need, especially for low-income students, will show continuous decreases over time	<i>In 1995-96, average unmet need for all students was 22.5%, ranging from 53.5% for independent students with incomes less than \$5,000 to 4% for independent students with incomes of \$30,000 or more.</i>	1.1 National Postsecondary Student Aid Study (NPSAS), 2001. <i>Note: Efforts are under way to estimate yearly changes in the variables that make up unmet need.</i>
	<b>1.2 College enrollment rates.</b> Postsecondary education enrollment rates will increase each year for all students, while the enrollment gap between low- and high-income and minority and non-minority high school graduates will decrease each year.	<i>In 1997, there was a 25.2% gap (57% vs.82.2%) between low- and high-income high school graduates aged 16-24 enrolling immediately in college.</i>	1.2 Current Population Statistics (CPS), annual, 1999.
	<b>1.3 Targeting of Pell Grants.</b> Pell Grant funds will continue to be targeted to those students with the greatest financial need: at least 75% of Pell Grant funds will go to students below 150% of poverty level.	<i>Currently, 76% of Pell Grant funds do so.</i>	1.3 Program data, annual, 1999.
	<b>1.4 Debt burden.</b> The percentage of students with student loan debt repayments exceeding 10% of their gross income will remain stable or decline over time.	<i>Among 1992-1993 bachelors degree recipients making loan payments, 29% had required payments that were more than 10% of their gross income. (Analysis of 1994 Baccalaureate and Beyond Study</i>	1.4 Baccalaureate and Beyond Study, 2001. <i>Note: Efforts are underway to develop an annual measure of debt burden, using data from the Social Security Administration.</i>
<b>2. Ensure that more students will persist in postsecondary education and attain degrees and certificates.</b>	<b>2.1 Completion rate.</b> Completion rates for all full-time, eligible, degree-seeking students in 4-year and 2-year colleges will improve, while the gap in completion rates between low- and high-income and minority and non-minority students will decrease.	<i>BPS data indicate a gap of approximately 23% in 4-year college completion within 5 years between low- and high-income students. For students entering 4-year colleges in 1990, the percentage who had completed by 1994, is as follows: Highest income quartile: 57.2% Second income quartile: 47.4% Third income quartile: 40.4% Lowest income quartile: 34.4%</i>	2.1 Beginning Postsecondary Students (BPS) Survey (completion rates), 2001. <i>Note: Beginning in 1999 completion rates will be available annually from the Integrated Postsecondary Education Data System.</i>

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<b>3. Ensure that taxpayers will have a positive return on investment in the federal student financial assistance programs.</b>	<p><b>3.1 Employment rate.</b> Title IV recipients will maintain employment at rates at least equal to the rate for non-recipients.</p> <p><b>3.2 Return on investment.</b> The benefits of the student aid programs, in terms of increased tax revenues, will continue to exceed their costs..</p>	<p><i>BPS data suggest that employment rates of Title IV recipients and non-recipients are equal for both graduates and non-graduates.</i></p> <p><i>A Department study found that for every dollar spent on student aid in 1996, almost \$3 was returned to the treasury in terms of increased tax revenues and decreased welfare costs. The return for students receiving a Bachelor's Degree was almost \$4 for every \$1 invested in student aid.</i></p>	<p>3.1 BPS, 1998 and Baccalaureate and Beyond (B&amp;B), 2001</p> <p>3.2 Analysis of Census data by Office of the Under Secretary's Planning and Evaluation Service (PES), annual, 1999.</p>
<b>4. Encourage postsecondary students to engage in community service.</b>	<b>4.1 Community Service.</b> The percent of Federal Work-Study program funds spent on community service will equal or exceed the current percent, especially for America Reads.	<i>In 1996-97, approximately 11% of Federal Work-Study program funds were spent on community service.</i>	4.1 OPE program data, annual, 1999.
<p><b>Operations (Interim plan, final to be submitted in September 1999)</b></p> <p>On December 8, 1998, a Performance-based Organization (PBO) was created to help modernize and improve the student aid delivery system. The PBO is in the process of developing a performance plan for the succeeding 5 years, as required in the Higher Education Act, that establishes measurable goals and objectives for the organization. The 5-year performance plan will be submitted to Congress in September 1999 after extensive consultation with all interested parties. In the interim, the following set of indicators has been developed to describe the specific actions the PBO will take in the next 7 months to ensure the continued efficient operation of the student aid delivery system and to set the stage for future modernization and improvement.</p>			

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<b>5. To improve customer satisfaction.</b>	<b>5.1 RFMS system.</b> Put the new Recipient Fund Management System in place by 8/30/99 and ensure that users do not experience any degradation in service.	<i>Not applicable.</i>	5.1 Not applicable.
	<b>5.2 FAFSA applications.</b> Process Free Application For Federal Student Aid (FAFSA) applications within an average turnaround time of eight days or less (through 9/30/99).	<i>Current benchmark is 8 days.</i>	5.2 Program data, weekly, 1999.
	<b>5.3 Direct Loan disbursements.</b> Enable qualified Direct Loan schools to disburse money to qualified students while they wait (by 9/30/99).	<i>Not applicable.</i>	5.3 Not applicable.
	<b>5.4 Consolidation processing.</b> Continue to process completed Direct Loan Consolidation applications within an average turnaround time of 60 days or less (From 1/1/99 - 9/30/99)	<i>Current benchmark is 54 days.</i>	5.4 Program data, weekly, 1999.
	<b>5.5 Processing.</b> Process all transactions with schools so that disruptions for students and schools are minimal (through 9/30/99).	<i>Benchmarks:</i> <ul style="list-style-type: none"> <li>❖ <i>After implementing RFMS, make Pell funds available to school within 36 hours of submission.</i></li> <li>❖ <i>Process all audits within six months.</i></li> <li>❖ <i>Complete reimbursement requests within 30 days.</i></li> <li>❖ <i>Respond to student complaints within 10 days.</i></li> <li>❖ <i>IPOS completes all transactions within established timeframes 95% of the time.</i></li> </ul>	5.5 Program data, 1999.
	<b>5.6 Y2K conversions.</b> Complete, validate and put in use all Y2K systems conversions (by 3/31/99).	<i>10 of 11 systems Y2K compliant, the last system conversion will be successfully completed by mid-March, 1999.</i>	5.6 Not applicable.
	<b>5.7 Customer preferences.</b> Establish a program to collect customer preferences and our performance on an on-going basis (by 9/30/99).	<i>Not applicable.</i>	5.7 Not applicable.

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	<p><b>5.8 Electronic applications.</b> Attract three million new electronic filings from aid applicants for the twelve-month period ending 9/30/1999.</p> <p><b>5.9 Service experiences.</b> Create five new positive experiences in services delivered to our customers and partners (by 9/30/99).</p> <p><b>5.10 New products.</b> Introduce five new electronic products and services - at least as pilots - which move us toward the EASI vision (by 9/30/99).</p>	<p><i>Currently, we anticipate receiving over 2.6 million electronic FAFSA applications by 9/30/99; additional volume will come from borrowers electronically submitting their loan consolidation applications and schools submitting their eligibility applications. Three million is equal to approximately one-third of the annual volume of aid applications, an ambitious target originally established for the 2000-2001 award year.</i></p> <p><i>Not applicable</i></p> <p><i>Not applicable</i></p>	<p>5.8 Program data, weekly, 1999.</p> <p>5.9 Not applicable.</p> <p>5.10 Not applicable.</p>
<b>6. Reduce the overall cost of delivering student aid.</b>	<p><b>6.1 Cost baseline.</b> Establish a baseline estimate of the overall costs of delivering student aid (by 9/30/99).</p> <p><b>6.2 Cost reduction.</b> Create a core measure or measures for judging cost reduction performance (e.g. total delivery dollars spent per assistance dollar outstanding by 9/30/99).</p> <p><b>6.3 Financial management system.</b> Design a complete, subsidiary-style financial management system for the PBO (by 9/30/99).</p> <p><b>6.4 Audits.</b> Provide all necessary support needed to achieve clean audits for FY 98 and FY 99, with FY 99 documentation delivered on time to support a March 2000 publication date.</p>	<p><i>Not applicable.</i></p> <p><i>Not applicable.</i></p> <p><i>Not applicable.</i></p> <p><i>Not applicable.</i></p>	<p>6.1 Not applicable.</p> <p>6.2 Not applicable.</p> <p>6.3 Not applicable.</p> <p>6.4 Not applicable.</p>

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	<p><b>6.5 Default recovery rate.</b> Maintain default recovery rate at ten percent or more of prior year-end outstanding balances (through 9/30/99).</p> <p><b>6.6 Cohort default rate.</b> Maintain cohort default rate at ten percent or less (through 9/30/99).</p> <p><b>6.7 Performance based contracts.</b> Use performance based contracts in all major new contract awards (through 9/30/99).</p> <p><b>6.8 Current contracts.</b> Extend current contracts, where that is necessary, early enough to avoid cost impacts (through 9/30/99).</p> <p><b>6.9 Identify cost cutting actions.</b> Review PBO operations to identify cost cutting actions in delivering student aid (by 4/1/99).</p> <p><b>6.10 Incentives.</b> Develop incentives to encourage high performance by partners.</p>	<p><i>Current benchmark is 10% reflecting the FY98 rate.</i></p> <p><i>Current benchmark is 9.6% reflecting the FY 96 rate.</i></p> <p><i>Not applicable.</i></p> <p><i>Not applicable.</i></p> <p><i>Not applicable.</i></p> <p><i>Not applicable.</i></p>	<p>6.5 Program data, annual, 1999.</p> <p>6.6 Program data, annual, 1999.</p> <p>6.7 Not applicable.</p> <p>6.8 Not applicable.</p> <p>6.9 Not applicable.</p> <p>6.10 Not applicable.</p>
<b>7. Transform the Student Financial Assistance Office into a performance-based organization.</b>	<p><b>7.1 Collaboration with partners.</b> Conduct collaborative working sessions with partners – schools and the financial community – on how to improve services to students and cut overall program costs (by 4/30/99, feed ideas to the customer service task force). These collaborative working sessions are an essential part of the drive to identify the improvements most desired by our customers and partners.</p>	<i>Not applicable.</i>	7.1 Not applicable.
	<p><b>7.2 Benchmarks.</b> Find best in the business organizations that we can use to benchmark our processes, systems and people (make initial comparisons by 7/31/99).</p>	<i>Not applicable.</i>	7.2 Not applicable.

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	<b>7.3 Customer service improvements.</b> Deliver a task force report on how to make specific, top to bottom improvements in customer service and satisfaction (by 7/1/99).	<i>Not applicable.</i>	7.3 .Not applicable.
	<b>7.4 Systems architecture.</b> Complete a systems architecture and acquisition strategy for all-major PBO business processes and computer systems, to support our improved service and cost management objectives (by 7/31/99).	<i>Not applicable.</i>	7.4 Not applicable.
	<b>7.5 Budget plan.</b> Deliver a preliminary budget plan for the PBO by 4/1/99, (we will seek congressional concurrence at a later date for a comprehensive plan in order to use results from the customer service task force and architecture projects).	<i>Not applicable.</i>	7.5 Not applicable.
	<b>7.6 Organizational plan.</b> With employees, develop a human resources and organizational plan for the PBO (by 9/30/99).	<i>Not applicable.</i>	7.6 Not applicable.
	<b>7.7 Employee satisfaction.</b> With employees, develop a system to measure employee satisfaction (by 9/30/99).	<i>Not applicable.</i>	7.7 Not applicable.
	<b>7.8 Performance plan.</b> Deliver the five-year performance plan for the PBO, including recommendations for additional legislation to improve service and reduce cost (by 9/30/99).	<i>Not applicable.</i>	7.8 Not applicable.
	<b>7.9 Ombudsman.</b> Hire an Ombudsman and build a complaint “cherishing” system (by 9/30/99). This function is required of the PBO under HEA reauthorization.	<i>Not applicable.</i>	7.9 Not applicable.

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<b>Key Strategies</b>
<ul style="list-style-type: none"> <li>❖ <b>Student financial assistance.</b> If enacted, the Department's FY 2000 budget would provide more than \$52 billion in grant, loan, and work-study assistance to 8.8 million postsecondary students. A \$7.5 billion request for Pell Grants would increase the maximum award by \$125 to \$3,250, the highest ever, and provide grants to nearly 3.9 million students. A \$934 million request for Work-Study (an increase of \$64 million) would allow approximately 1 million students work their way through college. Modifying the allocation formula for the three campus-based aid programs (Work-Study, Supplemental Educational Opportunity Grants, and Perkins Loans) would gradually distribute a larger share of appropriated funds on the basis of institutional need. The Federal Family Education Loans and Federal Direct Student Loan programs would support 9.5 million loans to postsecondary students totaling an estimated \$41.2 billion.</li> <li>❖ <b>Support services for postsecondary students.</b> Besides providing financial assistance to help students enroll in and complete postsecondary education, the Department also supports programs that provide students with the non-financial services needed to achieve their educational objectives. The \$630 million request for TRIO would enhance the Student Support Services and McNair programs, which are designed to encourage individuals from disadvantaged backgrounds to complete college and pursue graduate studies. The new College Completion Challenge Grants program would provide \$35 million to help institutions of higher education increase the persistence rate of students who are at risk of dropping out of college. Redesigning performance reports and disseminating information regarding effective practices would improve the provision of support services to students.</li> <li>❖ <b>Improve the quality of postsecondary education.</b> While most of the Department's efforts support the direct provision of assistance to students, whether it is financial or non-financial, the Department also plays a significant role in helping to improve the quality of postsecondary education. The FY 2000 request of \$521 million (a \$41 million increase over FY 1999) requested for the Aid for Institutional Development, Developing Hispanic-Serving Institutions, and Howard University programs will help enable institutions serving high percentages of minority and disadvantaged students to provide these students a high quality postsecondary education. In addition, continued efforts will be made to promote sharing of "best practices" among institutions. The \$27.5 million requested for the Fund for the Improvement of Postsecondary Education (FIPSE) will enable the Department to continue to promote successful postsecondary education reform efforts. Priorities for FY 2000 funding will be grants aimed at helping to control the cost of postsecondary education and at enhancing dissemination activities. A doubling of funding (from \$10 million to \$20 million) for the recently created Learning Anywhere Anytime Partnership program will continue to encourage the development of innovative techniques to enhance the delivery of high quality postsecondary education and lifelong learning opportunities for all citizens, in all settings.</li> <li>❖ <b>Modernize and improve the delivery system for the Student Financial Assistance programs.</b> As described above, the newly formed PBO has identified three key objectives—improve customer satisfaction, reduce the overall cost of delivering student aid, and transform the student financial assistance office into a performance-based organization—that will guide its work through September 1999 when a five-year performance plan will be submitted to Congress.</li> </ul>